

Oakridge Public Schools

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

Year ended June 30, 2007

Oakridge Public Schools

TABLE OF CONTENTS

Management’s Discussion and Analysis.....	i - xii
Independent Auditors’ Report.....	1
Basic Financial Statements	
District-wide Financial Statements	
Statement of Net Assets.....	2
Statement of Activities	3
Fund Financial Statements	
Governmental Funds	
Balance Sheet.....	4
Reconciliation of the Governmental Funds Balance	
Sheet to the Statement of Net Assets.....	5
Statement of Revenues, Expenditures and Changes	
in Fund Balances.....	6
Reconciliation of the Governmental Funds Statement of Revenues,	
Expenditures and Changes in Fund Balances to the Statement of	
Activities	7
Statement of Fiduciary Assets and Liabilities.....	8
Notes to Financial Statements	9
Required Supplementary Information	
Budgetary Comparison Schedule—General Fund	24

Oakridge Public Schools
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007

The discussion and analysis of Oakridge Public School's financial performance provides an overall review of the school district's financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to provide, in layman's terms, a look at the district's performance and past and current position. We encourage readers to consider the information presented here in conjunction with the financial statements and the notes to the financial statements.

Financial Highlights

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The financial statements also include notes that explain some of the information in the statements and provide more detail data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the district's budget for the year. Figure A-1, on the following page, shows how the various parts of this annual report are arranged and related to one another.

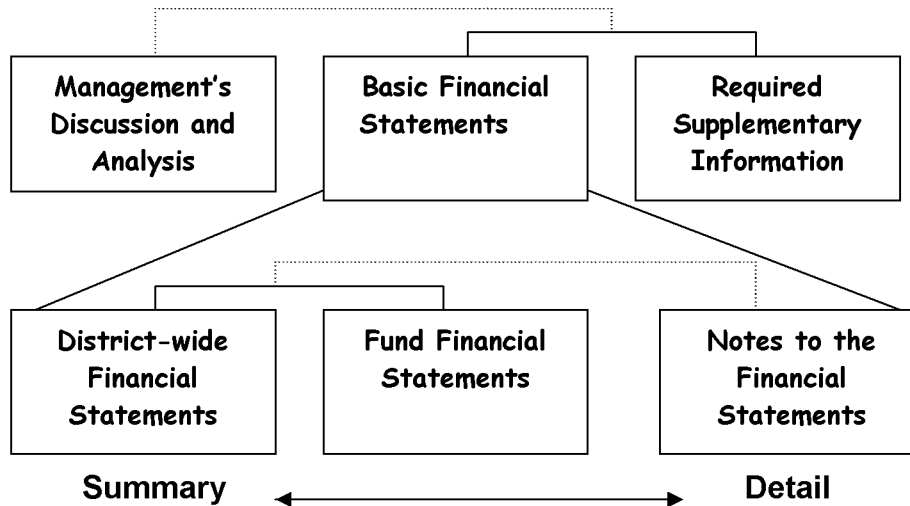
The basic financial statements include two kinds of statements that present different views of the district. The two kinds of statements are: 1) District-wide financial statements; and 2) Fund financial statements.

District-wide Financial Statements

These statements are full accrual basis statements and provide information about the district's overall financial status. They are used to help determine whether or not the district is better off or worse off as the result of the year's activities. The *Statement of Net Assets* reports all of the district's assets and liabilities, both short-term and long-term, regardless if they are "currently available" or not. Capital assets and long-term obligations of the district are reported in this statement. All of the current year's revenues and expenses are accounted for in the *Statement of Activities* regardless of when cash is received or paid.

Oakridge Public Schools
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007

Figure A-1
Oakridge Public Schools
Organization of Annual Financial Report



The two district-wide statements report the district's net assets and how they have changed. Net assets – the difference between the district's assets and liabilities – is one way to measure the district's financial health or position.

- Over time, increases or decreases in the district's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the district's overall health, one needs to consider additional non-financial factors such as changes in the district's property tax base, the quality of the education provided, and the condition of the district's buildings.

In the district-wide statements, the district's activities are classified as governmental activities. This includes most of the district's basic services, such as regular and special education, food service, athletics, transportation, and administration. Property taxes and state aid finance most of these services.

Oakridge Public Schools
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007

Fund Financial Statements

The fund financial statements focus on individual parts of the district, reporting the district's operations in more detail than the district-wide statements. The fund level statements are reported on a *modified accrual basis*. Only those assets that are "*measurable*" and "*currently available*" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, the district's major instructional and instructional support activities are reported in the *General Fund*. Additional activities are reported in their relevant funds including: Special Revenue Funds for Food Service and Athletics, Debt Service Funds, Capital Project Funds, and Fiduciary Funds.

In the fund financial statements, capital asset purchases are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

Financial Analysis of the District as a Whole
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The net assets of the district as of June 30, 2007, amounted to \$3.4 million which represents only a 1.5% decline from the previous year. Figure A-2 on the following page shows a condensed breakdown of the net assets.

The largest portion of the district's net assets (84%) reflects resources that are restricted as to how they may be used. These net assets represent investments in capital assets (e.g., land, buildings and improvements, and furniture and equipment), less any related debt used to acquire those assets that are still outstanding. The district uses these capital assets to provide services to students; consequently, these assets are not available for spending. Although the district's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay the debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The debt used as a decrease to capital assets relates to the Educational Interconnection and Consortium Financing Agreement, which is paid by the General Fund, and local bonds, which are paid from local property taxes.

Oakridge Public Schools
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007

The significant change between the invested in capital assets, net of related debt and unrestricted components of net assets from June 30, 2006 to June 30, 2007 is due to new guidance from the Michigan School Accounting Manual Referent Group guidance for Michigan public school districts. School Bond Loan Fund debt is not considered to be capital related debt in the June 30, 2007 net asset computation, where as such debt was considered to be capital related debt for June 30, 2006.

Figure A-2
Condensed Statement of Net Assets

	Governmental activities		Total Percentage Change 2006-07
	<u>2007</u>	<u>2006</u>	
Current assets	\$ 7,152,711	\$ 6,247,858	14.48%
Noncurrent assets	17,926,758	18,025,590	-0.55%
Total assets	<u>25,079,469</u>	<u>24,273,448</u>	<u>3.32%</u>
Current liabilities	5,572,258	4,181,431	33.26%
Noncurrent liabilities	16,124,556	16,656,857	-3.20%
Total liabilities	<u>21,696,814</u>	<u>20,838,288</u>	<u>4.12%</u>
Net assets			
Invested in capital assets, net of related debt	2,857,936	749,560	281.28%
Restricted	409,212	431,810	-5.23%
Unrestricted	115,507	2,253,790	-94.87%
	<u><u>\$ 3,382,655</u></u>	<u><u>\$ 3,435,160</u></u>	<u><u>-1.53%</u></u>

The net assets of the district decreased by \$52,505 during the 2006-07 year. Figure A-3 shows the breakdown of this change. The Statement of Activities presented later in the government-wide financial statements, provides greater detail on the district's annual activity. The cost of the district's governmental activities for the year decreased to \$18.5 million. However, the amount that the district's taxpayers ultimately financed for these activities was only \$14.9 million because \$3.5 million was paid for by participants and other governments and organizations who subsidized certain programs with grants and contributions. The remaining "public benefit" portion was paid for with property taxes, state pupil foundation aid, investment earnings, and other miscellaneous revenues.

Oakridge Public Schools
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007

Figure A-3
Statement of Net Assets from Operating Results

	Governmental activities		Total
	<u>2007</u>	<u>2006</u>	<u>Percentage</u>
			<u>Change</u>
			<u>2006-07</u>
Revenues			
Program Revenues			
Charges for services	\$ 760,920	\$ 749,885	1.47%
Operating grants and contributions	2,629,322	2,674,510	-1.69%
Capital grants and contributions	126,100	-	0.00%
General Revenues			
Property taxes	2,321,678	2,258,368	2.80%
Unrestricted grants and contributions	12,376,502	12,235,700	1.15%
Other	<u>193,718</u>	<u>101,330</u>	<u>91.18%</u>
Total Revenues	18,408,240	18,019,793	2.16%
Expenses			
Instruction	10,029,535	10,413,609	-3.69%
Support services	6,206,241	5,876,400	5.61%
Community services	217,581	248,071	-12.29%
Food services	823,784	829,070	-0.64%
Athletics	334,645	322,566	3.74%
Interest on long-term debt	759,075	781,570	-2.88%
Unallocated depreciation and amortization	<u>89,884</u>	<u>89,436</u>	<u>0.50%</u>
Total expenses	18,460,745	18,560,722	-0.54%
Change in net assets	(52,505)	(540,929)	90.29%
Beginning net assets	<u>3,435,160</u>	<u>3,976,089</u>	
Ending net assets	<u>\$ 3,382,655</u>	<u>\$ 3,435,160</u>	

Oakridge Public Schools
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007

A substantial portion (82%) of the district's General Fund revenues is received from state sources. This means that the financial stability of the district rests primarily with the economic health of the State of Michigan. Figure A-4 depicts the breakdown of the sources of revenue and other financing sources for the district's General Fund which totaled \$16,117,843.

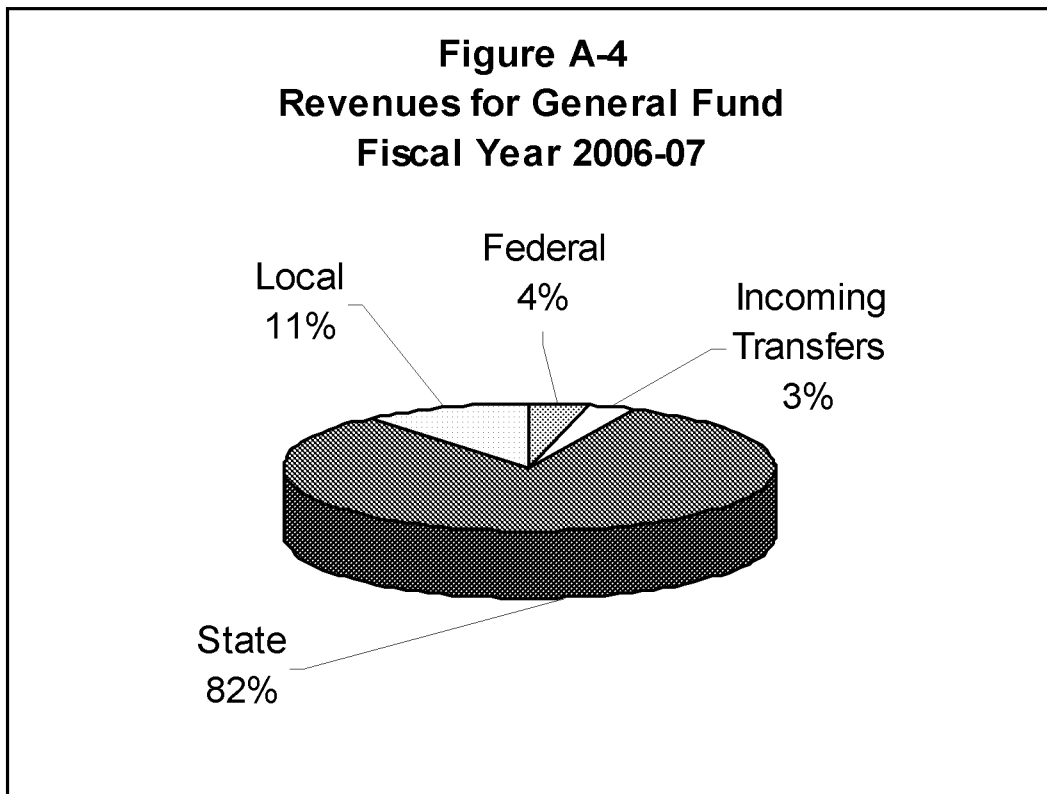
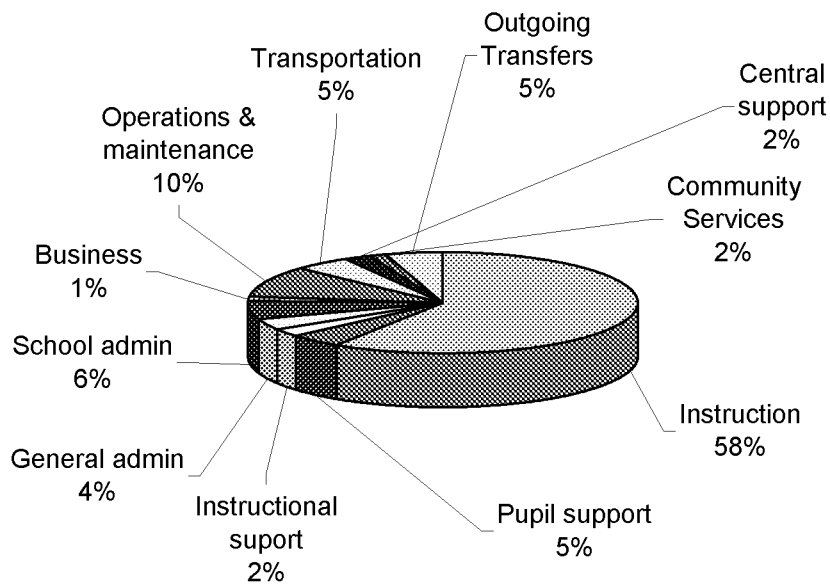


Figure A-5 on the following page reflects the breakdown by functional category of \$16,405,020 in expenditures and other financing uses for the district's general fund for 2006-07. Direct classroom instruction is the largest category (\$9,697,291). Support services includes library services, counselors, special education services, administration, clerical staff, maintenance/custodial staff, utilities, insurance, and transportation services (\$6,225,299). Community services include all early childhood tuition and day care program expenses. The remaining categories are self-explanatory.

**Oakridge Public Schools
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007**

**Figure A-5 Expenditures for General Fund
Fiscal Year 2006-07**



Financial Analysis of the District's Funds

The financial performance of the district as a whole is reflected in its governmental funds as well. The combined governmental funds equity decreased by \$481,142 during the 2006-07 fiscal year, resulting in a fund equity of \$2.2 million at year end. The primary factors affecting the district's governmental funds' fund balance are listed below.

Oakridge Public Schools
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007

Factors Impacting Fund Equity

- *Student enrollment* – Proposal A tied funding for school districts to student enrollment. As is the case with many districts across the state, student enrollment is continually declining.
- *Insurance premium increases* – The district's cost for health insurance premiums decreased slightly over the previous year by an average of 2%. The district paid the entire health insurance premium for all employee groups who received it as a benefit in 2006-07. In spite of the one-year decrease in premiums which goes against the national trend, employee health insurance premiums are the fastest growing cost in the budget.
- *Retirement benefits* – The district's cost for retirement benefits for its employees decreased slightly during the 2006-07 school year due to an accounting maneuver by the state of Michigan. This was a one-year adjustment. Future retirement costs are expected to increase by 2% of gross payroll per year.
- *Utility costs* – The district's costs for utilities, especially gasoline used to fuel our bus fleet, remains highly volatile.

General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. As a matter of practice, the district amends its budget periodically during the year. These revisions are made in order to deal with unexpected changes in revenues and expenditures. The following analysis describes the reasons for changes in the budget during the year and the differences in actual and budget figures.

Revenues – There was a 1% change in the total General Fund revenue and other financing sources budget from the beginning to the end of the year.

Oakridge Public Schools
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007

Final amended budget to actual - The \$78,034 difference between the final amended budget and the actual revenue received was due to ACT 18 revenue (\$63,209), special education transportation revenue (\$28,062) and investment earnings (\$52,760) that were greater than expected. Title I revenue was budgeted to spend the entire grant, but the grant was not fully spent (\$49,178).

Original budget to actual -The \$143,232 variance between the original budget and the June 30, 2007 actual results was due in part to the unexpected funding of additional funds for the Michigan School Readiness Grant, investment earnings, special education transportation and Act 18 revenues that were greater than expected.

Expenditures – There was less than one-half of a percent change in the total General Fund expenditures and other financing uses budget from the beginning to the end of the year.

Original budget to actual – Several areas had large variances due to state mandated changes to the district's chart of accounts. Payments to other school districts and to the Muskegon Area Intermediate School District that were required to be included in Outgoing Transfers in the past (\$489,847) are now required to be included in other areas of the chart of accounts (Added Needs, Business Support, and Transportation Support services). The variance in instructional staff support services (\$62,135) was also due to a state mandated change to the district's chart of accounts.

Final amendment to actual – Basic programs were under budget \$81,204 (1.1%) due to budgeting conservatively for salaries and benefits. Business was over budget due to state aid anticipation note interest being grossed up along with the related investment income from the set-a-side payments. Pupil transportation was higher than anticipated (\$48,662) due to special education transportation fee which was partly offset by the related special education transportation excess revenue previously noted.

Oakridge Public Schools
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007

Capital Assets and Debt Administration

Capital Assets – A summary of the District's capital assets, net of depreciation, at year end is outlined in figure A-6. Additional information on the district's capital assets can be found in note D of the Notes to the Financial Statements on pages 17-18 of this report. Construction in progress had additions of approximately \$300,000 for a new athletic field.

Figure A-6
Summary of Capital Assets (Net of Depreciation)

	Governmental Activities	
	<u>2007</u>	<u>2006</u>
Land	\$ 25,000	\$ 25,000
Construction in progress	307,731	67,295
Land improvements	477,786	514,366
Building and improvements	16,303,929	16,653,814
Equipment	263,829	183,821
Vehicles	170,885	156,407
Total	<u>\$ 17,549,160</u>	<u>\$ 17,600,703</u>

Debt Administration – A comparative summary of the District's indebtedness at year end is outlined in figure A-7 on the following page.

The 1998 Durant bond issue is an obligation paid by the state. As part of the state's budget cuts in 2006-07, this debt was refinanced and no payments were made in 2006-07. Payments will resume in 2008-09.

Under State statute, the District is legally restricted from incurring long-term bonded debt in excess of 15% of the assessed value of taxable property within the school district. At June 30, 2007 the District's net bonded debt subject to the debt limit is \$152,566. This amount is well below the legal limit of approximately \$23.0 million.

Oakridge Public Schools
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007

Additional information on the Oakridge Public Schools' long-term debt can be found in note H of the Notes to the Financial Statements on pages 19 - 20 of this report.

Figure A-7
Summary of Indebtedness

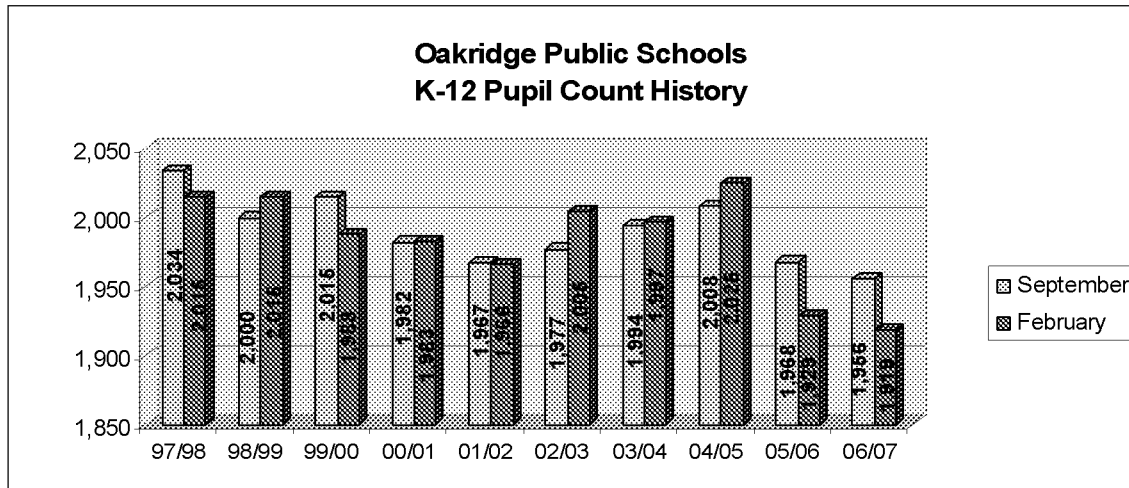
	Outstanding June 30,	Outstanding June 30,
	2007	2006
1998 bond issue	\$ 475,000	\$ 925,000
2005 bond refunding	14,379,675	14,424,803
Durant bond issue	152,566	152,566
School bond loan fund	1,531,881	1,558,616
Education & interconnection	35,172	41,034
Compensated absences	68,441	68,799
Total	<u>\$ 16,642,735</u>	<u>\$ 17,170,818</u>

Factors Bearing on the District's Future

There are several factors bearing on the district's general fund future. The most important one is the structural revenue deficit at the state level for the funding of schools. State aid revenues for 2006-07 were \$7,085 per student, a small increase over 2005-06.

Schools are funded at the state level on the number of students they educate. Oakridge's pupil population has been on a rollercoaster for many years and since the 2004-05 school year, has experienced declining enrollment which is demonstrated on the graph on the following page. Oakridge remains sensitive to the effects of a declining enrollment that is affecting many school districts across the area and the state. The fall and winter of the 2006-07 school year brought yet another decline in student population. This same decline in pupil population is being experienced across the state.

Oakridge Public Schools
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007



While revenues are decreasing, or at best, remaining the same as the previous year, many costs are increasing. Typically, the fastest growing cost in the budget is employee health insurance, as is the case nationally in all industries. Atypical of today's health insurance environment, the district experienced a 2% decrease in health insurance costs for the 2006-07 school year. For most years prior to that, employee health insurance has increased about 13% - 18% per year; it is projected to increase between 12% - 18% per year for the next several years.

The next fastest growing cost in the budget is employee retirement. Due to health care costs for retirees and low interest rates, the state has imposed a higher retirement rate on all salaries and wages paid to all school employees. For 2006-07 this rate increased from 16.34% to 16.72% due to a one-time fix at the state level. For the next several years it is projected to continue to increase approximately 2% per year.

All of these factors place a heavy burden on the district's general fund equity. While the district's general fund equity is at the level recommended by auditors and other professionals, it will be a challenge to keep it at this level with all the needs we may be otherwise unable to fund.

Requests for Information

This financial report is designed to provide the district's citizens, taxpayers, parents, students, investors and creditors with a general overview of the District's finances, and to show how the District is accountable for the money it receives. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to Mrs. Cheryl Masar, Director of Finance, Oakridge Public Schools, 275 South Wolf Lake Road, Muskegon, MI 49442, telephone number (231) 788.7109.

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

September 25, 2007

Board of Education
Oakridge Public Schools
Muskegon, Michigan

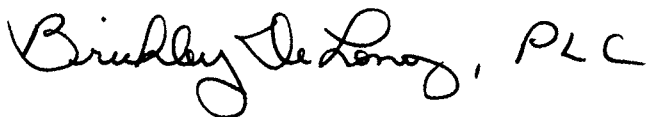
We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Oakridge Public Schools (the School District), as of and for the year ended June 30, 2007, which collectively comprise the Schools District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Oakridge Public Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Oakridge Public Schools, as of June 30, 2007, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2007, on our consideration of Oakridge Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages i - xii and page 24, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Oakridge Public Schools
STATEMENT OF NET ASSETS
June 30, 2007

	Governmental activities
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 1,481,312
Investments	2,488,812
Receivables	244,971
Due from other governmental units	2,870,584
Inventories	3,339
Prepaid items	<u>63,693</u>
Total current assets	7,152,711
NONCURRENT ASSETS	
Capital assets, net	
Nondepreciable	332,731
Depreciable	17,216,429
Bond issuance costs, net	198,623
Note and interest receivable	<u>178,975</u>
Total noncurrent assets	<u>17,926,758</u>
Total assets	25,079,469
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
State aid loan	2,800,000
Accounts payable and accrued liabilities	1,917,206
Due to other governmental units	249,587
Deferred revenue	60,877
Bonds and other obligations, due within one year	<u>544,588</u>
Total current liabilities	5,572,258
NONCURRENT LIABILITIES	
Bonds and other obligations, less amounts due within one year	16,098,147
Accrued interest	<u>26,409</u>
Total noncurrent liabilities	<u>16,124,556</u>
Total liabilities	<u>21,696,814</u>
NET ASSETS	
Invested in capital assets, net of related debt	2,857,936
Restricted for debt service	409,212
Unrestricted	<u>115,507</u>
Total net assets	<u>\$ 3,382,655</u>

The accompanying notes are an integral part of this statement.

Oakridge Public Schools
STATEMENT OF ACTIVITIES
For the year ended June 30, 2007

<i>Functions/Programs</i>	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets
		Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities
Governmental activities					
Instruction	\$ 10,029,535	\$ 83,905	\$ 1,747,151	\$ -	\$ (8,198,479)
Support services	6,206,241	202,841	349,058	126,100	(5,528,242)
Community services	217,581	128,311	-	-	(89,270)
Food services	823,784	291,793	528,149	-	(3,842)
Athletics	334,645	54,070	-	-	(280,575)
Interest on long-term debt	759,075	-	4,964	-	(754,111)
Unallocated depreciation and amortization	89,884	-	-	-	(89,884)
Total governmental activities	<u>\$ 18,460,745</u>	<u>\$ 760,920</u>	<u>\$ 2,629,322</u>	<u>\$ 126,100</u>	<u>(14,944,403)</u>
General revenues					
Property taxes levied for					
General purposes					1,094,085
Debt service					1,227,593
Grants and contributions not restricted to specific programs					12,376,502
Investment earnings					181,052
Miscellaneous					<u>12,666</u>
Total general revenues					<u>14,891,898</u>
Change in net assets					(52,505)
Net assets at July 1, 2006					<u>3,435,160</u>
Net assets at June 30, 2007					<u>\$ 3,382,655</u>

The accompanying notes are an integral part of this statement.

Oakridge Public Schools
BALANCE SHEET
Governmental Funds
June 30, 2007

	General Fund	Other governmental funds	Total governmental funds
ASSETS			
Cash and cash equivalents	\$ 962,275	\$ 519,037	\$ 1,481,312
Investments	2,488,812	-	2,488,812
Receivables	244,475	496	244,971
Due from other governmental units	2,802,377	68,207	2,870,584
Due from other funds	8,026	-	8,026
Inventories	-	3,339	3,339
Prepaid items	57,297	6,396	63,693
Total assets	<u>\$ 6,563,262</u>	<u>\$ 597,475</u>	<u>\$ 7,160,737</u>
LIABILITIES AND FUND BALANCES (DEFICIT)			
Liabilities			
State aid loan	\$ 2,800,000	\$ -	\$ 2,800,000
Accounts payable	48,356	181,322	229,678
Accrued liabilities	1,567,812	9,677	1,577,489
Due to other governmental units	249,587	-	249,587
Due to other funds	-	8,026	8,026
Deferred revenue	54,754	6,123	60,877
Total liabilities	<u>4,720,509</u>	<u>205,148</u>	<u>4,925,657</u>
Fund balances (deficit)			
Reserved			
Inventories	-	3,339	3,339
Prepaid items	57,297	6,396	63,693
Debt service	-	545,660	545,660
Unreserved			
Designated for payroll tax components of early retirement incentives	60,000	-	60,000
Undesignated			
General Fund	1,725,456	-	1,725,456
School service	-	(1,883)	(1,883)
Capital projects	-	(161,185)	(161,185)
Total fund balances	<u>1,842,753</u>	<u>392,327</u>	<u>2,235,080</u>
Total liabilities and fund balances	<u>\$ 6,563,262</u>	<u>\$ 597,475</u>	<u>\$ 7,160,737</u>

The accompanying notes are an integral part of this statement.

Oakridge Public Schools
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2007

Total fund balance—governmental funds	\$	2,235,080
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Amounts reported for governmental activities in the Statement of Net Assets
are different because:

Capital assets used in governmental activities are not current financial resources and
are not reported in the governmental funds.

Cost of capital assets	\$ 23,512,208	
Accumulated depreciation	<u>(5,963,048)</u>	17,549,160

Bond issuance costs are not capitalized and amortized in the governmental funds.

Bond issuance costs	344,157	
Accumulated amortization	<u>(145,534)</u>	198,623

Other long-term note and interest receivable in governmental activities is not reported in the
governmental funds.

178,975

Accrued interest in governmental activities is not reported in the governmental funds.

(136,448)

Long-term liabilities in governmental activities are not due and payable in the current period
and are not reported in the governmental funds.

Bonds and notes payable	(16,574,294)	
Compensated absences	<u>(68,441)</u>	<u>(16,642,735)</u>

Net assets of governmental activities in the Statement of Net Assets	\$	<u><u>3,382,655</u></u>
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The accompanying notes are an integral part of this statement.

Oakridge Public Schools
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Governmental Funds
For the year ended June 30, 2007

	General Fund	Other governmental funds	Total governmental funds
REVENUES			
Local sources			
Property taxes	\$ 1,094,085	\$ 1,227,593	\$ 2,321,678
Investment earnings	149,162	31,890	181,052
Fees and charges	459,572	345,863	805,435
Other	25,263	126,100	151,363
Total local sources	<u>1,728,082</u>	<u>1,731,446</u>	<u>3,459,528</u>
State sources	13,392,009	78,175	13,470,184
Federal sources	579,073	475,812	1,054,885
Total revenues	<u>15,699,164</u>	<u>2,285,433</u>	<u>17,984,597</u>
EXPENDITURES			
Instruction	9,697,291	-	9,697,291
Support services	6,225,299	-	6,225,299
Community services	217,581	-	217,581
Food services	-	817,371	817,371
Athletics	-	304,821	304,821
Debt service			
Principal	-	595,000	595,000
Interest and other charges	-	685,324	685,324
Capital projects	-	341,731	341,731
Total expenditures	<u>16,140,171</u>	<u>2,744,247</u>	<u>18,884,418</u>
Excess (deficiency) of revenues over (under) expenditures	(441,007)	(458,814)	(899,821)
OTHER FINANCING SOURCES (USES)			
Transfers from other governmental units and other transactions	418,679	-	418,679
Transfers in	-	264,849	264,849
Transfers out	(264,849)	-	(264,849)
Total other financing sources (uses)	<u>153,830</u>	<u>264,849</u>	<u>418,679</u>
Net change in fund balances	(287,177)	(193,965)	(481,142)
Fund balances at July 1, 2006	<u>2,129,930</u>	<u>586,292</u>	<u>2,716,222</u>
Fund balances at June 30, 2007	<u>\$ 1,842,753</u>	<u>\$ 392,327</u>	<u>\$ 2,235,080</u>

The accompanying notes are an integral part of this statement.

Oakridge Public Schools
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**
For the year ended June 30, 2007

Net change in fund balances—total governmental funds	\$	(481,142)
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets and bond issuance costs as expenditures; in the Statement of Activities these costs are depreciated and amortized over their estimated useful lives, respectively.

Depreciation and amortization expense	\$ (520,028)	
Capital outlay and bond issuance costs	<u>416,232</u>	(103,796)

Interest income on long-term note receivables is recorded in the Statement of Activities when earned, but is not reported in governmental funds until received.	4,964
---	-------

Debt proceeds are other financing source in the governmental funds, but the proceeds increase long-term obligations in the Statement of Net Assets.	(73,265)
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Repayment of principal on long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	600,990
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Interest expense on long-term obligations is recorded in the Statement of Activities when incurred, but is not reported in governmental funds until paid.	(614)
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Compensated absences are reported on the accrual method in the Statement of Activities and reported as expenditures when financial resources are used in the governmental funds.	<u>358</u>
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Change in net assets of governmental activities	<u><u>\$ (52,505)</u></u>
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The accompanying notes are an integral part of this statement.

Oakridge Public Schools
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
Fiduciary Funds
June 30, 2007

	Agency funds
ASSETS	
Cash and cash equivalents	\$ 161,989
LIABILITIES	
Deposits held for others	\$ 161,989

The accompanying notes are an integral part of this statement.

Oakridge Public Schools
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Oakridge Public Schools (School District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

Reporting Entity

The School District is governed by an elected seven-member Board of Education (Board), which has responsibility and control over all activities related to public school education within the School District. The School District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the School District is not included in any other governmental reporting entity as defined by generally accepted accounting principles. In addition, the School District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement No. 14. Board members have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters.

District-wide and Fund Financial Statements

District-wide Financial Statements – The primary focus of district-wide financial statements is on the sustainability of the School District as an entity and the change in the School District's net assets resulting from the current year's activities. The district-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the School District. For the most part, the effect of interfund activity has been removed from these statements. The district-wide financial statements categorize primary activities as either governmental or business type. All of the School District's activities are classified as governmental activities.

In the district-wide Statement of Net Assets, the governmental activities column (a) is presented on a consolidated basis and (b) is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. The School District first utilizes restricted resources to finance qualifying activities. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district, and other unrestricted items are not included as program revenues but instead as *general revenues*.

The district-wide Statement of Activities reports both the gross and net cost of each of the School District's functions. The functions are also supported by general revenues (property taxes, certain intergovernmental revenues and charges, etc.). The Statement of Activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants. The School District does not allocate indirect costs.

Oakridge Public Schools
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2007

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

District-wide and Fund Financial Statements—Continued

Fund financial statements – Fund financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental funds – Governmental funds are those funds through which most School District functions typically are financed. The acquisition, use and balances of the School District's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The School District reports the following major governmental funds:

- The *General Fund* is the School District's primary operating fund. It accounts for all financial resources of the School District, except those required to be accounted for in another fund.

The other nonmajor governmental funds are reported within the following types:

- The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The School District accounts for its food service and athletic activities in the school service special revenue funds.
- The *debt service funds* account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.
- The *capital projects funds* account for capital grants and contributions and the acquisition of fixed assets or construction of major capital projects.

Fiduciary funds – Fiduciary funds account for assets held by the School District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the School District under the terms of a formal trust agreement. Fiduciary funds are not included in the district-wide statements.

- The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the School District holds for others in an agency capacity (primarily student activities).

Oakridge Public Schools
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2007

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Measurement Focus, Basis of Accounting and Basis of Presentation

Accrual Method

The district-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting* as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants, categorical aids and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Modified Accrual Method

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. With this measurement focus, operating statements present increases and decreases in net current assets, and unreserved fund balance is a measure of available spendable resources. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the School District.

State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the school districts. For the year ended June 30, 2007, the foundation allowance was based on pupil membership counts taken in February and September of 2006.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period and is funded through payments from October 2006 to August 2007. Thus, the unpaid portion at June 30, 2007 is reported as due from other governmental units.

The School District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

Oakridge Public Schools
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2007

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Other Accounting Policies

Deposit and Investments

Cash and cash equivalents include cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired.

The School District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under this standard, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standard also provides that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the School District intends to hold the investment until maturity.

State statutes authorize the School District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The School District is also authorized to invest in U. S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above. The School District's deposits and investments are in accordance with statutory authority.

Interfund Receivables and Payables

Activities between funds that are representative of lending or borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". The School District had no advances between funds.

Property Taxes

Property taxes levied by the School District are collected by various municipalities and periodically remitted to the School District. The taxes are levied as of December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due date is February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2007, the School District levied the following amounts per \$1,000 of taxable valuation:

<u>Fund</u>	<u>Mills</u>
General Fund - Non-homestead	18
Debt service fund - Homestead and non-homestead	7

Inventories

Food Service inventory is valued at the lower of cost (first-in, first-out) or market. The inventory is expendable supplies held for consumption and is recorded as expenditures when consumed rather than when purchased. Inventories for commodities are recorded as revenue when utilized.

Oakridge Public Schools
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2007

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Other Accounting Policies—Continued

Prepaid Items

Payments made to vendors for services that will benefit periods beyond the fiscal year end are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include bond proceeds to be used for capital construction.

Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received. Capital assets are defined by the School District as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of one year. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets. The School District does not have infrastructure-type assets.

Depreciation is provided on the straight-line basis over the following useful lives:

Land improvements	20 years
Buildings and improvements	25-50 years
Buses and other vehicles	8 years
Furniture and other equipment	5-20 years

Land and certain land improvements are deemed to be inexhaustible capital assets, as the economic benefit or service potential is used up so slowly that the estimated useful life is extraordinarily long. These inexhaustible assets are not depreciated.

Compensated Absences

The liability for compensated absences reported in the district-wide statement consists of unpaid, accumulated sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

For fund financial statements, no compensated absence liability is reported for current employees and a compensated absence liability is reported for terminated employees only when the termination date is on or before year end.

Deferred Revenue

Deferred revenue arises when assets are recorded before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On the fund financial statements, receivables that will be collected after the available period are reported as deferred revenue.

Oakridge Public Schools
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2007

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Other Accounting Policies—Continued

Long-term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets. Bond premiums and discounts, as well as issuance cost, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Assets In District-wide Financial Statements

Net assets represent the difference between assets and liabilities and are segregated into the following components:

- **Invested in capital assets, net of related debt** consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets. Pursuant to the Michigan School Accounting Manual Referent Group guidance for Michigan public school districts, School Bond Loan Fund debt is not considered to be capital related debt.
- **Restricted net assets** result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributions, and the like, or imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net assets** consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets often are designated, to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on resources which are imposed by management, but can be removed or modified.

Fund Equity In Fund Financial Statements

The School District reserves those portions of governmental fund balances that are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriations for expenditures. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund balance reserves are established for encumbrances, inventory of materials and supplies, prepaid items, deferred charges and advances to other funds, when applicable. Designations of fund balance represent tentative management plans that are subject to change.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statement and accompanying notes. Actual results may differ from those estimates.

Oakridge Public Schools
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2007

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General Fund and special revenue funds. All annual appropriations lapse at year end.

The School District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by Board of Education resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, are noted in the required supplementary information section.
4. The Director of Finance is authorized to transfer budgeted amounts within major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the Board of Education.
5. Formal budgetary integration is employed as a management control device during the year.
6. The budget is amended during the year with supplemental appropriations, the last one approved prior to June 30, 2007. The School District does not consider these amendments to be significant.

Excess of Expenditures Over Appropriations

For the year ended June 30, 2007, expenditures exceeded appropriations in the pupil transportation services function by \$58,367 and the business support services function by \$34,410.

Fund Deficits

As of June 30, 2007, the Building and Site Fund had a deficit of \$181,631. The deficit will be eliminated through future contributions.

Oakridge Public Schools
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2007

NOTE C—DEPOSITS AND INVESTMENTS

As of June 30, 2007, the School District had the following investments:

Investment Type	Fair value	Weighted average maturity (Days)	Standard & Poor's rating	Percent
Guaranteed Investment Contract (GIC)	\$ <u>2,488,812</u>	367	AA-	<u>100%</u>

Interest rate risk. In accordance with its investment policy, the School District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in interest rates by using the following methods: segmented time distribution, specific identification, weighted average maturity, duration and simulation model.

Credit risk. State law limits investments in commercial paper and corporate bonds to the three highest classifications issued by nationally recognized statistical rating organizations. The School District has no investment policy that would further limit its investment choices.

Concentration of credit risk. In accordance with its investment policy, the School District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the School District investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. Investments in any one type of non-U.S. Treasury securities may be no more than 10 percent of the total current investment portfolio.

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. As of June 30, 2007, \$1,523,402 of the School District's bank balance of \$1,623,402 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk - investments. For an investment this is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The School District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the School District will do business.

The School District's Guaranteed Investment Contract is collateralized and invested for the purpose of paying off the state aid anticipation note disclosed in Note G. The Investment Agreement dated as of August 18, 2006, by and among Wells Fargo Bank, N.A., both as the Depository on behalf of the participating Michigan School Districts and the Michigan Municipal Bond Authority, and Citigroup Global Markets, Inc., as Provider. The net proceeds from the sale of the Series B-1 Notes were loaned by the Authority to Michigan School Districts. Such loans were repaid with monthly set-a-side installments deposited with the Depository for investment under the Investment Agreement. Set-a-side installments are deposited under the Investment Agreement versus Permitted Investments (collateral securities) equaling at least 102 percent of the deposited amount and such Permitted Investments are held by the Depository in a fiduciary capacity. The Guaranteed Rate under this Investment Agreement (commonly referred to as a guaranteed investment contract-GIC or collateralized investment agreement-CIA) is 5.01 percent (simple interest actual days elapsed over a 365-day year). The Guarantor is Citigroup Global Markets Holdings, Inc., as guarantor of the Provider's obligations under this Investment Agreement.

Foreign currency risk. The School District is not authorized to invest in investments which have this type of risk.

Oakridge Public Schools
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2007

NOTE D—CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2007 was as follows:

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
Capital assets, not being depreciated:				
Land	\$ 25,000	\$ -	\$ -	\$ 25,000
Construction in progress	67,295	307,731	67,295	307,731
Total capital assets, not being depreciated	92,295	307,731	67,295	332,731
Capital assets, being depreciated:				
Land improvements	841,919	-	-	841,919
Buildings and improvements	20,260,347	-	-	20,260,347
Equipment	756,349	116,346	5,825	866,870
Vehicles	1,150,891	59,450	-	1,210,341
Total capital assets, being depreciated	23,009,506	175,796	5,825	23,179,477
Less accumulated depreciation:				
Land improvements	327,553	36,580	-	364,133
Buildings and improvements	3,606,533	349,885	-	3,956,418
Equipment	572,528	36,338	5,825	603,041
Vehicles	994,484	44,972	-	1,039,456
Total accumulated depreciation	5,501,098	467,775	5,825	5,963,048
Total capital assets, being depreciated, net	17,508,408	(291,979)	-	17,216,429
Capital assets, net	\$ 17,600,703	\$ 15,752	\$ 67,295	\$ 17,549,160

Depreciation

Depreciation expense has been charged to functions as follows:

Instruction	\$ 339,141
Support service	54,766
Food service	6,413
Athletics	29,824
Unallocated depreciation	37,631
	<u>\$ 467,775</u>

Oakridge Public Schools
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2007

NOTE E—BOND ISSUANCE COSTS

Bond issuance cost activity for the year ended June 30, 2007 was as follows:

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
Bond issuance costs	\$ 344,157	\$ -	\$ -	\$ 344,157
Less accumulated amortization	<u>93,281</u>	<u>52,253</u>	<u>-</u>	<u>145,534</u>
Bond issuance costs, net	<u>\$ 250,876</u>	<u>\$ (52,253)</u>	<u>\$ -</u>	<u>\$ 198,623</u>

Amortization

Amortization expense has been charged as unallocated amortization.

NOTE F—INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2007 is as follows:

Due to/from other funds:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General Fund	Other governmental funds	\$ <u>8,026</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund Transfers

The General Fund transferred \$5,000 to the Food Services Fund and \$259,849 to the Athletics Fund to finance operations.

NOTE G—SHORT-TERM DEBT

The School district issues State of Michigan school aid anticipation notes to provide short-term operating funds. The notes are obligations of the General Fund, which received the note proceeds, and are backed by the full faith, credit and resources of the School District. The short-term debt activity for the year ended June 30, 2007 follows:

	Balance July 1, 2006	Additions	Reductions	Balance June 30, 2007
State aid anticipation note				
2005/2006 2.92% due August 2006	\$ 1,723,000	\$ -	\$ 1,723,000	\$ -
2006/2007 3.68% due August 2007	<u>-</u>	<u>2,800,000</u>	<u>-</u>	<u>2,800,000</u>
	<u>\$ 1,723,000</u>	<u>\$ 2,800,000</u>	<u>\$ 1,723,000</u>	<u>\$ 2,800,000</u>

Oakridge Public Schools
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2007

NOTE H—LONG-TERM OBLIGATIONS

The School District issues bonds, notes and other contractual commitments to provide for the acquisition, construction and improvement of major capital facilities and for the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include compensated absences, Education Interconnection and Consortium Financing Agreement and the School Bond Loan Fund. The compensated absences and Education Interconnection and Consortium Agreement are paid from the General Fund, and the School Bond Loan Fund is paid from the Debt Service Fund.

Summary of Long-term Obligations

The following is a summary of long-term obligations activity for the School District for the year ended June 30, 2007:

	Balance July 1, 2006		Additions		Reductions		Balance June 30, 2007		Due within one year
Governmental activities:									
Bonds	\$ 15,502,369	\$	-	\$	495,128	\$	15,007,241	\$	538,726
Other obligations	1,668,449		87,797		120,752		1,635,494		5,862
	<u>\$ 17,170,818</u>	\$	<u>87,797</u>	\$	<u>615,880</u>	\$	<u>16,642,735</u>	\$	<u>544,588</u>

In the previous schedule, the addition for other obligations of \$87,797 includes \$73,265 of accrued interest on the School Bond Loan Fund and \$14,532 of additions to compensated absences.

General obligation bonds consist of the following:

1998 Building General Obligation Bond payable due May 2008; plus interest of 5.5% payable semi-annually	\$ 475,000
2005 Refunding General Obligation Bond payable in annual installments ranging from \$50,000 to \$810,000 due May 2008 to 2028; plus interest ranging from 3% to 5% payable semi-annually	14,380,000
Plus issuance premium	360,075
Less deferred amount on refunding	(360,400)
Durant obligations payable in annual installments ranging from \$18,145 to \$121,910 including interest at 4.76% due May 2009 to 2013. The School District is only obligated to make the annual payments to the extent of annual State of Michigan state school aid appropriations.	<u>152,566</u>
Total bonded debt	15,007,241

Oakridge Public Schools
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2007

NOTE H—LONG-TERM OBLIGATIONS—Continued

Summary of Long-term Obligations—Continued

Other obligations

School Bond Loan Fund payable as soon as annual tax collections exceed annual debt service payment requirements; interest payable of \$209,127 is included at interest rates between 2.625% and 4.875%	\$ 1,531,881
Education Interconnection and Consortium Financing Agreement payable in annual installments of \$5,862 due March 2008 to 2013	35,172
Compensated absences	<u>68,441</u>
Total other obligations	<u>1,635,494</u>
	<u>\$ 16,642,735</u>

The Durant bonds, including interest, were issued in anticipation of payment to the School District as appropriated and to be appropriated by the State of Michigan under Section 11g(3) of Act 94 (State Aid payments). The School District has pledged and assigned to the bondholder all rights to these State Aid payments as security for the Bond. The note receivable on the Statement of Net Assets is for the future appropriations from the State of Michigan to pay the Durant obligations.

The annual requirement of principal and interest to amortize bonded debt and Education Interconnection and Consortium Financing Agreement outstanding as of June 30, 2007 follows:

Year ending June 30,	Principal	Interest	Total
2008	\$ 544,588	\$ 664,659	\$ 1,209,247
2009	565,242	636,380	1,201,622
2010	650,690	642,476	1,293,166
2011	611,643	595,953	1,207,596
2012	632,394	574,552	1,206,946
2013-2017	3,373,181	2,495,825	5,869,006
2018-2022	3,865,000	1,677,975	5,542,975
2023-2027	4,015,000	709,445	4,724,445
2028	<u>785,000</u>	<u>34,540</u>	<u>819,540</u>
	<u>\$ 15,042,738</u>	<u>\$ 8,031,805</u>	<u>\$ 23,074,543</u>

Oakridge Public Schools
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2007

NOTE I—EMPLOYEE BENEFITS

Employee Retirement System – Defined Benefit Plan

Plan description – The School District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer defined benefit pension plan administered by the nine member board of the MPERS. The MPERS provides retirement benefits and post-retirement benefits for health, dental and vision. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to or calling:

Office of Retirement Systems
Michigan Public School Employees Retirement System
P.O. Box 30171
Lansing Michigan 48909
1-800-381-5111

Funding policy – Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9 percent of gross wages. The MIP contribution rate was 4.0 percent from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9 percent. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3 percent of the first \$5,000; 3.6 percent of \$5,001 through \$15,000; 4.3 percent of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9 percent of gross wages begin at enrollment. Market rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The School District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rate for the year ended June 30, 2007, was 17.74 percent of payroll. The contribution requirements of plan members and the School District are established and may be amended by the MPERS Board of Trustees. The School District contributions to MPERS for the year ended June 30, 2007, 2006 and 2005 were approximately \$1,589,000, \$1,440,000, and \$1,264,000, respectively, and were equal to the required contribution for those years.

The School District is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan.

Other post-employment benefits – Under the MPERS Act, all retirees have the option of continuing health, dental and vision coverage.

NOTE J—COMMITMENTS AND CONTINGENCIES

Commitments

- **Construction contracts** – As of June 30, 2007, the School District had awarded construction contracts totaling approximately \$335,000 of which \$160,515 of expenditures had been incurred. The contracts are the obligations of the Building and Site Fund and the School District.

Oakridge Public Schools
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2007

NOTE J—COMMITMENTS AND CONTINGENCIES—Continued

Contingencies

- **Litigation** – The School District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the School District's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the School District.
- **Grant Programs** – The School District participates in grant programs, which are subject to program compliance audits by the grantor or its representatives. Such audits of these programs may be performed at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the School District expects such amounts, if any, to be immaterial.

NOTE K—OTHER INFORMATION

Economic Dependence – Prior years revision of the State of Michigan (State) school aid formula for local public schools significantly increased State school aid, and the change in property tax laws significantly decreased local property tax revenues. As a result, State school aid represents approximately 83 percent of General Fund revenues.

Risk Management – The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. The School District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The School District pays annual premiums under a retrospectively rated policy to the pools for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The workers' compensation pool and the property casualty pool maintain reinsurance for claims generally in excess of \$500,000 for each occurrence with the overall maximum coverage varying depending on the specific type coverage of reinsurance.

The School District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2007 or any of the prior three years.

NOTE L—SUBSEQUENT EVENT

On August 20, 2007, the School District received the proceeds of a \$1,500,000 State of Michigan (state) school aid anticipation note payable. The note payable is not subject to redemption prior to its maturity on August 19, 2008 and bears interest at the rate of 3.68 percent per annum. The School District pledged for payment of the note payable, the amount of state school aid to be received plus the full faith, credit, and resources of the School District.

On September 25, 2007, the School District received the proceeds of a \$1,600,000 school aid anticipation note payable. The note payable is not subject to redemption prior to its maturity on August 25, 2008 and bears interest at the rate of 3.93 percent per annum. The School District pledged for payment of the note payable, the amount of school aid to be received plus the full faith, credit, and resources of the School District.

REQUIRED SUPPLEMENTARY INFORMATION

Oakridge Public Schools
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE

General Fund

For the year ended June 30, 2007

	Budgeted amounts			Variance with final budget - positive (negative)
	Original	Final	Actual	
REVENUES				
Local sources	\$ 1,586,479	\$ 1,680,942	\$ 1,728,082	\$ 47,140
State sources	13,401,982	13,393,896	13,392,009	(1,887)
Federal sources	570,724	622,743	579,073	(43,670)
Incoming transfers and other transactions	415,426	342,228	418,679	76,451
Total revenues	15,974,611	16,039,809	16,117,843	78,034
EXPENDITURES				
Instruction				
Basic programs	7,832,603	7,679,568	7,598,364	81,204
Added needs	1,800,035	2,083,004	2,063,581	19,423
Adult and continuing education	49,373	38,858	35,346	3,512
Support services				
Pupil	763,446	886,180	880,482	5,698
Instructional staff	404,132	466,267	455,667	10,600
General administration	579,584	580,382	556,284	24,098
School administration	954,910	992,914	984,963	7,951
Business	241,082	306,617	341,027	(34,410)
Operations and maintenance	1,652,971	1,720,932	1,709,172	11,760
Pupil transportation services	771,522	873,959	932,326	(58,367)
Central	338,060	371,461	365,378	6,083
Community services	249,687	211,254	217,581	(6,327)
Outgoing transfers and other transactions	764,696	274,849	264,849	10,000
Total expenditures	16,402,101	16,486,245	16,405,020	81,225
Excess (deficiency) of revenues over (under) expenditures	\$ <u>(427,490)</u>	\$ <u>(446,436)</u>	(287,177)	\$ <u>159,259</u>
Fund balance at July 1, 2006			2,129,930	
Fund balance at June 30, 2007			\$ 1,842,753	

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

September 25, 2007

Board of Education
Thomas Paniucki, Superintendent
Oakridge Public Schools
Muskegon, Michigan

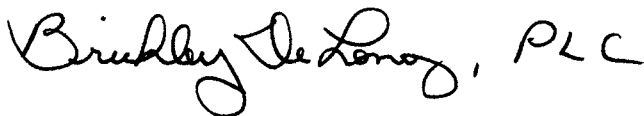
In planning and performing our audit of the financial statements of Oakridge Public Schools as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Oakridge Public Schools' internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified the attached deficiencies in internal control that we consider to be significant deficiencies.

This communication is intended solely for the information and use of the Board of Education, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



SIGNIFICANT DEFICIENCIES

Purchasing

Recommendation 1: Purchase orders should be prepared and approved prior to the ordering of goods.

During our audit, we noted that some purchase orders are being prepared after the receipt of the goods and related invoice. Such procedures bypass the School District's established budgetary control purpose of the purchase order system.

Full compliance with the School District's established purchase order system will ensure associated expenditures are reviewed and approved in accordance with School District policies.

Payroll—Segregation of Duties

Recommendation 2: The segregation of duties surrounding the payroll function should be improved.

During our review of payroll procedures, we noted that the payroll clerk has the responsibility for personnel file maintenance, payroll computation and preparation, and payroll check distribution. In addition, the payroll clerk controls and distributes the annual W-2 forms to employees and receives unclaimed payroll checks. The maintenance of these payroll functions by one individual significantly increases the possibility that errors or misappropriations of funds would not be detected.

Segregation of duties within the payroll function should be strengthened, including, but not limited to:

- The payroll registers and direct deposit reconciliation report should be reviewed and approved after payroll is prepared by someone independent of those who prepare payroll.
- The payroll checks should be distributed by someone independent of preparing the payroll checks.

Budgets

Recommendation 3: Special revenue fund budgets need to be adopted prior to each July 1.

During our audit, we noted the Board of Education did not adopt the special revenue fund budgets (Food Service Fund and Athletics Fund) prior to July 1, 2006 as required by MCL 141.434 and the Bulletin 1022 Michigan School Accounting Manual.

The adoption of special revenue funds prior to each July 1 would ensure compliance with the State of Michigan requirements.

Review and Approval

Recommendation 4: Year end journal entries, bank reconciliations and certain purchase card transactions should be reviewed.

During our audit, we noted that the Director of Finance prepares the year end journal entries and all bank reconciliations and there is no review/approval of her work. Further, the Director of Finance also approves all purchase card transactions, including her own.

All year end journal entries, bank reconciliations and purchase card transactions should be reviewed and approved by someone not involved in the preparation of those items.

SIGNIFICANT DEFICIENCIES—CONTINUED

Review and Approval—Continued

Recommendation 5: Internal control procedures should be adopted to require review and approval of cash management, eligibility and reporting functions for federal grant programs.

During our audit, we noted there are no internal control procedures in place requiring a review or approval of work performed under Title I cash management, eligibility and reporting functions or under the Child Nutrition Cluster eligibility and reporting functions.

The implementation of review and approval procedures for cash management, eligibility and reporting functions would help ensure that errors do not go undetected.

Oakridge Public Schools
**SINGLE AUDIT OF FEDERAL
FINANCIAL ASSISTANCE PROGRAMS**

Financial Report and
Independent Auditors' Reports

June 30, 2007

CONTENTS

FINANCIAL REPORT AND INDEPENDENT AUDITORS' REPORTS

INTERNAL CONTROL AND COMPLIANCE REPORTS

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	3
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	5
--	---

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	7
--	---

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	9
--	---

SCHEDULE OF FINDINGS AND RESPONSES	10
--	----

CLIENT DOCUMENTS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS.....	18
---	----

CORRECTIVE ACTION PLAN.....	19
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BRICKLEY DeLONG

CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

September 25, 2007

Board of Education
Oakridge Public Schools
Muskegon, Michigan

We have audited the financial statements of Oakridge Public Schools as of and for the year ended June 30, 2007 and have issued our report thereon dated September 25, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Oakridge Public Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Oakridge Public Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Oakridge Public Schools' internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Responses, as Findings 1 - 5, to be significant deficiencies in internal control over financial reporting.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Board of Education
September 25, 2007
Page 2

Compliance

As part of obtaining reasonable assurance about whether Oakridge Public Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Oakridge Public Schools' responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit Oakridge Public Schools' responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of Education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Brickley DeLong, PLC

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

September 25, 2007

Board of Education
Oakridge Public Schools
Muskegon, Michigan

Compliance

We have audited the compliance of Oakridge Public Schools with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. Oakridge Public Schools' major federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Responses. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Oakridge Public Schools' management. Our responsibility is to express an opinion on Oakridge Public Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Oakridge Public Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Oakridge Public Schools' compliance with those requirements.

In our opinion, Oakridge Public Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described as Findings 6 - 8 in the accompanying Schedule of Findings and Responses.

Internal Control Over Compliance

The management of Oakridge Public Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Oakridge Public Schools' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Oakridge Public Schools' internal control over compliance.

Board of Education
September 25, 2007
Page 2

Internal Control Over Compliance—Continued

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in Part C in the accompanying Schedule of Findings and Responses as Finding 5 to be a significant deficiency.

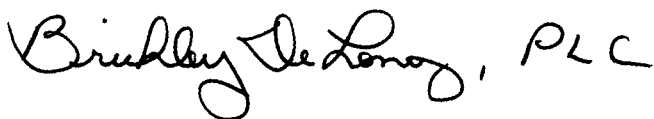
A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the accompanying Schedule of Findings and Responses to be material weaknesses.

Oakridge Public Schools' responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit Oakridge Public Schools' responses and, accordingly, we express no opinion on them.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of Oakridge Public Schools as of and for the year ended June 30, 2007 and have issued our report thereon dated September 25, 2007. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Brickley DeLong, PLC

Oakridge Public Schools
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2007

Federal grantor/pass-through grantor/program title	Federal CFDA number	Program or award amount	Accrued (deferred) revenue July 1, 2006	Cash/ payments in kind received (cash basis)	Expenditures (accrual basis)			Accrued (deferred) revenue June 30,2007	Adjustment	Notes
					Prior year (s)	Current year	Total			
U.S. Department of Education										
Passed through Michigan Department of Education										
Title I	84.010									
061530 0506		\$ 360,172	\$ 90,985	\$ 90,984	\$ 360,172	\$ -	\$ 360,172	\$ -	\$ (1)	5
061530 0607		364	-	364	-	364	364	-	-	
071530 0607		357,239	-	244,542	-	340,780	340,780	96,238	-	
		717,775	90,985	335,890	360,172	341,144	701,316	96,238	(1)	
Even Start	84.213									
060390 D0625CES		179,613	30,405	33,656	176,362	3,251	179,613	-	-	
Title V	84.298									
050250 0506		2,832	150	150	2,832	-	2,832	-	-	
060250 0506		5,960	5,950	5,950	5,960	-	5,960	-	-	
060250 0607		698	-	698	-	698	698	-	-	
070250 0607		3,103	-	496	-	3,103	3,103	2,607	-	
		12,593	6,100	7,294	8,792	3,801	12,593	2,607	-	
Technology Literacy Challenge Grants	84.318									
074290 0607		4,003	-	2,373	-	4,003	4,003	1,630	-	
Improving Teacher Quality	84.367									
060520 0506		97,522	29,016	29,016	97,522	-	97,522	-	-	
070520 0607		96,792	-	68,611	-	96,792	96,792	28,181	-	
		194,314	29,016	97,627	97,522	96,792	194,314	28,181	-	
Total passed through Michigan Department of Education		1,108,298	156,506	476,840	642,848	448,991	1,091,839	128,656	(1)	
Passed through Muskegon Area Intermediate School District										
Drug Free Schools and Communities Act	84.186									
072860 0607		7,507	-	7,507	-	7,507	7,507	-	-	
PL 101-476 Flowthrough	84.027									
060450 0506		77,322	32,621	32,621	77,322	-	77,322	-	-	
070450 0607		100,514	-	68,980	-	100,514	100,514	31,534	-	
		177,836	32,621	101,601	77,322	100,514	177,836	31,534	-	
Total passed through Muskegon Area Intermediate School District		185,343	32,621	109,108	77,322	108,021	185,343	31,534	-	
Total U.S. Department of Education		1,293,641	189,127	585,948	720,170	557,012	1,277,182	160,190	(1)	

Oakridge Public Schools
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS—CONTINUED
For the year ended June 30, 2007

Federal grantor/pass-through grantor/program title	Federal CFDA number	Program or award amount	Accrued (deferred) revenue July 1, 2006	Cash/ payments in kind received (cash basis)	Expenditures (accrual basis)			Accrued (deferred) revenue June 30, 2007	Adjustment	Notes
					Prior year (\$)	Current year	Total			
<i>U.S. Department of Agriculture</i>										
Passed through Michigan Department of Education										
National School Lunch										
Entitlement Commodities	10.550	\$ 65,123	\$ -	\$ 65,123	\$ -	\$ 65,123	\$ 65,123	\$ -	\$ -	
Bonus Commodities		1,016	-	1,016	-	1,016	1,016	-	-	
		66,139	-	66,139	-	66,139	66,139	-	-	
061970 Breakfast	10.553	9,120	-	9,120	-	9,120	9,120	-	-	3
071970 Breakfast		90,037	-	73,730	-	90,037	90,037	16,307	-	3
		99,157	-	82,850	-	99,157	99,157	16,307	-	
061950 All Lunches	10.555	5,555	-	5,555	-	5,555	5,555	-	-	3
071950 All Lunches		46,543	-	38,929	-	46,543	46,543	7,614	-	3
061960 Free and Reduced		27,051	-	27,051	-	27,051	27,051	-	-	3
071960 Free and Reduced		227,142	-	188,848	-	227,142	227,142	38,294	-	3
		306,291	-	260,383	-	306,291	306,291	45,908	-	
060900 Summer Food Meals	10.559	3,816	-	3,816	-	3,816	3,816	-	-	3
061900 Summer Food Sponsor Adm		409	-	409	-	409	409	-	-	3
		4,225	-	4,225	-	4,225	4,225	-	-	
Total passed through Michigan Department of Education and U.S. Department of Agriculture										
		475,812	-	413,597	-	475,812	475,812	62,215	-	
<i>U.S. Department of Health and Human Services</i>										
Passed through Muskegon Area Intermediate School District										
Medical Assistance Program Title XIX 393	93.778	22,062	-	17,454	-	22,062	22,062	4,608	-	
TOTAL FEDERAL ASSISTANCE		\$ 1,791,515	\$ 189,127	\$ 1,016,999	\$ 720,170	\$ 1,054,886	\$ 1,775,056	\$ 227,013	\$ (1)	

The accompanying notes are an integral part of this schedule.

Oakridge Public Schools
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2007

1. Please see the financial statement footnotes for the significant accounting policies used in preparing this schedule.
2. Management has utilized the Grants Section Auditors Report (Form R7120) and Grant Auditor Report (GAR) in preparing the Schedule of Expenditures of Federal Awards.
3. Child Nutrition Cluster
4. Reconciliation of revenues from federal sources per governmental funds financial statements and expenditures per single audit report Schedule of Expenditures of Federal Awards.

Revenues from federal sources per June 30, 2007

Governmental Funds financial statements

General Fund	\$ 579,073	
Other governmental funds (includes Food Service Fund)	<u>475,812</u>	\$ 1,054,885

Rounding adjustment from note 5 that reduced revenue in the financial statements

1

Expenditures per single audit report

Schedule of Expenditures of Federal Awards	\$ <u><u>1,054,886</u></u>
--	----------------------------

5. Rounding adjustment. The DS-4044 Final Expenditure Report filed after the June 30, 2006 audit reported expenditures that were \$1 less than the June 30, 2006 SEFA reported.
6. The cash/payments in kind received column does not agree to the R7120 and GAR for the following grants and amounts. This is due to the School District requesting funds on June 28, 2007, but not receiving those funds (wired to bank account) until July 5, 2007. Those funds were listed as paid by June 30, 2007 on the R7120 and GAR.

Title I	\$ 95,909
Title V	2,522
Technology Literacy Challenge Grants	1,630
Improving Teacher Quality	28,181
National School Lunch/Child Nutrition Cluster	<u>62,215</u>
	<u>\$ 190,457</u>

Oakridge Public Schools
SCHEDULE OF FINDINGS AND RESPONSES
Year ended June 30, 2007

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of Oakridge Public Schools.
2. **Five (5)** significant deficiencies disclosed during the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and are reported in Part B of this schedule. These significant deficiencies are not reported as material weaknesses.
3. There were **no** instances of noncompliance material to the financial statements of Oakridge Public Schools disclosed during the audit as reported in Part B of this schedule.
4. **One (1)** significant deficiency disclosed during the audit of the major federal award programs is reported in the Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 and is reported in Parts B and C of this schedule. The significant deficiency is not reported as a material weakness.
5. The auditors' report on compliance for the major federal award programs for Oakridge Public Schools expresses an unqualified opinion.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this schedule.
7. The programs tested as major programs were:

<u>Name</u>	<u>CFDA Number</u>
<i>U.S. Department of Agriculture Child Nutrition Cluster</i>	10.553, 10.555 and 10.559
<i>U.S. Department of Education Title I</i>	84.010

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Oakridge Public Schools was not determined to be a low-risk auditee.

Oakridge Public Schools
SCHEDULE OF FINDINGS AND RESPONSES—CONTINUED
Year ended June 30, 2007

B. FINDINGS RELATING TO THE AUDIT OF THE FINANCIAL STATEMENTS, WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

COMPLIANCE

NONE

SIGNIFICANT DEFICIENCIES

Fiscal 2007 Finding No. 1: Review and Approval Procedures for Year End Journal Entries, Bank Reconciliations and Certain Purchase Card Transactions

Criteria: Year end journal entries, bank reconciliations and purchase card transactions should be reviewed and approved by someone other than the person who prepares them.

Condition: There is not an oversight or review internal control procedure in place in the above areas for year end journal entries and bank reconciliations. The Director of Finance approves purchase card transactions for all employees, including her own.

Cause: Due to the small size of the School District's administrative staff, the above functions are performed by the Director of Finance with no review or approval. There are few options of available personnel to review and approve the work.

Effect: The lack of internal controls over these areas increases the possibility that misstatements due to errors and fraud could occur without being detected.

Recommendation: Internal control procedures should be created providing for the review and approval of year end journal entries, bank reconciliations and purchase card transactions.

School District Response: The School District agrees with the finding.

Fiscal 2007 Finding No. 2: Purchase Order Procedures

Criteria: All purchases, except certain preapproved transactions, should be approved with purchase orders prior to ordering goods to ensure that all purchases are properly approved.

Condition: Due to purchases occurring outside of the prescribed School District procedures, two purchases were missing purchase order approvals, and one purchase order was prepared after the fact.

Cause: Ordering goods and services is occurring prior to obtaining proper approval through the purchase order system.

Effect: Inappropriate expenditures could occur if procurement policies are not followed.

Recommendation: The School District's established internal control procedures over procurement should be followed by all employees.

School District Response: The School District agrees with the finding.

Oakridge Public Schools
SCHEDULE OF FINDINGS AND RESPONSES—CONTINUED
Year ended June 30, 2007

B. FINDINGS RELATING TO THE AUDIT OF THE FINANCIAL STATEMENTS, WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

SIGNIFICANT DEFICIENCIES—Continued

Fiscal 2007 Finding No. 3: Segregation of Payroll Procedures

Criteria: Duties should be adequately segregated so as to separate incompatible duties.

Condition: Certain employees have access to both physical assets and the related accounting records or all phases of a payroll transaction.

Cause: The School District did not have an adequate segregation of duties for the individuals responsible for payroll.

Effect: Errors in processing transactions and financial reporting and the misappropriation of assets could go undetected.

Recommendation: Segregation of duties within the payroll function should be strengthened, including, but not limited to:

- The payroll registers and direct deposit reconciliation report should be reviewed and approved after payroll is prepared by someone independent of those who prepare payroll.
- The payroll checks should be distributed by someone independent of preparing the payroll checks.

School District Response: The School District agrees with the finding.

Fiscal 2007 Finding No. 4: Budgeting Procedures for the School Service Funds

Criteria: A school district must prepare a budget for the general fund and any special revenue fund it may utilize (Food Service Fund or Athletics Fund) prior to July 1 each year in accordance with MCL 141.434 and the Bulletin 1022 Michigan School Accounting Manual. The Board of Education has the responsibility of approving the budget for implementation prior to the beginning of the fiscal year.

Condition: The special revenue funds (Food Service Fund and Athletics Fund) did not have budgets adopted prior to July 1, 2006. Those budgets were adopted October 18, 2006.

Cause: The School District's internal controls surrounding budget preparation did not require special revenue fund budgets to be prepared prior to the beginning of the fiscal year.

Effect: The special revenue funds did not have budgets in place to provide management with guidance on available funding and expenditure guidance to start the fiscal year.

Recommendation: All required budgets should be adopted prior to July 1 of each fiscal year.

School District Response: The School District agrees with the finding.

Oakridge Public Schools
SCHEDULE OF FINDINGS AND RESPONSES—CONTINUED
Year ended June 30, 2007

B. FINDINGS RELATING TO THE AUDIT OF THE FINANCIAL STATEMENTS, WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

SIGNIFICANT DEFICIENCIES—Continued

U.S. Department of Education

Fiscal 2007 Finding No. 5: Review and Approval Procedures for Title I and Child Nutrition Cluster Programs

Title I, Part A

Pass-through entity: Michigan Department of Education

CFDA: 84.010

Award Numbers: 071530 0607

Award Year Ends: September 30, 2007

Child Nutrition Cluster

Pass-through entity: Michigan Department of Education

CFDA: 10.553, 10.555 and 10.559

Award Numbers: 061970, 071970, 061950, 071950, 061960, 071960, 060900, 061900

Award Year Ends: September 30, 2006 and September 30, 2007

Specific Requirement: Cash Management, Eligibility, and Reporting

Criteria: Per OMB Circular A-133 §___.105 Definitions, internal control is a process, effected by an entity's management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories: 1) Effectiveness and efficiency of operations, 2) Reliability of financial reporting, and 3) Compliance with applicable laws and regulations.

Condition: There are no internal control procedures in place requiring a review or approval of work performed under Title I cash management, eligibility and reporting functions or under the Child Nutrition Cluster eligibility and reporting functions.

Cause: Most of the above functions are performed by management level personnel with few options of available personnel to review and approve their work.

Questioned Costs: None

Context: The above compliance areas did not have review procedures, but only Child Nutrition Cluster eligibility had a compliance finding.

Effect: The lack of a review or approval of the noted compliance areas increases the risk of a material error/misstatement going undetected in the normal course of operations.

Recommendation: Review and approval procedures should be implemented for the Title I cash management, eligibility and reporting functions and Child Nutrition Cluster eligibility and reporting functions.

School District Response: The School District agrees with the finding.

Oakridge Public Schools
SCHEDULE OF FINDINGS AND RESPONSES
Year ended June 30, 2007

C. FINDINGS RELATING TO THE MAJOR FEDERAL AWARD PROGRAMS AUDIT, WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH OMB CIRCULAR A-133

COMPLIANCE

U.S. Department of Agriculture

Fiscal 2007 Finding No. 6: Child Nutrition Cluster

Pass-through entity: Michigan Department of Education

CFDA: 10.553, 10.555 and 10.559

Award Numbers: 061970, 071970, 061950, 071950, 061960, 071960, 060900, 061900

Award Year Ends: September 30, 2006 and September 30, 2007

Specific Requirement: Eligibility

Criteria: The School Food Authorities (SFA) must determine eligibility for free or reduced price benefits based on a completed application or other categorical qualifiers per the OMB Circular A-133 Compliance Supplement and USDA Eligibility Guidance for School Meals Manual.

Condition: We noted 1) one application was not signed by an adult household member, 2) one application's eligibility was determined to be reduced, that should have been free, due to treating a second application as a "duplicate" (with the second application received approximately one week after the first application, but with a change in income), 3) one application that was denied should have been reduced due to income in Meal Magic software being carried forward from prior year and not removed when current year income was entered, and 4) one child receiving free benefits did not have an application on file.

Cause: The first three items noted were due to errors in eligibility determination. The fourth item represented a student who was a direct certification in the prior year that did not properly clear out of the software when rolled to the 2006/2007 fiscal year.

Questioned Costs: \$-532

Context: Four of the forty children selected for eligibility testing had either errors in determining eligibility or did not have a 'complete' application. The sample of forty included twenty-eight applications and twelve direct certifications.

Effect: Two families received free benefits that should have been denied and two families were not given the benefits for which they were eligible.

Recommendation: The School District should review its eligibility determination procedures and provide additional training for staff who determine eligibility.

School District Response: The School District agrees with the finding.

Oakridge Public Schools
SCHEDULE OF FINDINGS AND RESPONSES
Year ended June 30, 2007

C. FINDINGS RELATING TO THE MAJOR FEDERAL AWARD PROGRAMS AUDIT, WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH OMB CIRCULAR A-133

COMPLIANCE—Continued

U.S. Department of Education

Fiscal 2007 Finding No. 7: Title I, Part A

Pass-through entity: Michigan Department of Education

CFDA: 84.010

Award Numbers: 071530 0607

Award Year Ends: September 30, 2007

Specific Requirement: Special Tests and Provisions, Schoolwide Programs

Criteria: Per the OMB Circular A-133 Compliance Supplement, a School District operating a schoolwide program must have a schoolwide plan that includes the following five components: 1) schoolwide reform strategies, 2) instruction by highly qualified professional staff, 3) strategies to increase parental involvement, 4) additional support to students experiencing difficulty, and 5) transition plans for assisting preschool children in the successful transition to the schoolwide program.

Condition: The schoolwide plan in one of four buildings included in the schoolwide program does not contain the following required components: 3) strategies to increase parental involvement, 4) additional support to students experiencing difficulty, and 5) transition plans for assisting preschool children in the successful transition to the schoolwide program.

Cause: Internal controls over schoolwide plans are not operating effectively.

Questioned Costs: None

Context: There are four buildings included in the schoolwide program. The schoolwide plan for one of the buildings did not contain all of the required components.

Effect: Without a complete schoolwide plan, noncompliance with program requirements may occur.

Recommendation: Schoolwide plans should include all required components.

School District Response: The School District agrees with the finding.

Oakridge Public Schools
SCHEDULE OF FINDINGS AND RESPONSES
Year ended June 30, 2007

C. FINDINGS RELATING TO THE MAJOR FEDERAL AWARD PROGRAMS AUDIT, WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH OMB CIRCULAR A-133

COMPLIANCE—Continued

U.S. Department of Education

Fiscal 2007 Finding No. 8: Title I, Part A

Pass-through entity: Michigan Department of Education

CFDA: 84.010

Award Numbers: 071530 0607

Award Year Ends: September 30, 2007

Specific Requirement: Special Tests and Provisions, Participation of Private School Children

Criteria: Per the OMB Circular A-133 Compliance Supplement, programs funded under Title I, Part A must provide timely and meaningful consultation with private school officials.

Condition: Consultation with private schools officials was not performed on a timely basis to allow for proper planning of the program. Letters sent to private school officials were not mailed until July 3, 2006.

Cause: School District personnel had a misunderstanding of the definition of “timely consultation with private school officials”.

Questioned Costs: Not determinable.

Context: The School District did not provide the required consultation until after the planning phase was complete, but no private schools requested services by the August 31, 2006 deadline to respond.

Effect: If services had been requested by private schools, there was no time to include those requests and discussion of services in the planning phase.

Recommendation: The School District should conduct their consultation with private school officials in a timely manner to get them involved in the planning phase.

School District Response: The School District agrees with the finding and contacted private school officials in April 2007 to make sure all required consultation occurred timely in the planning of the 2007/2008 Title I grant.

SIGNIFICANT DEFICIENCIES

See Finding 5 in Part B above.

CLIENT DOCUMENTS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

September 25, 2007

Michigan Department of Education
Lansing, Michigan

Oakridge Public Schools respectfully submits the following summary of the current status of prior audit findings contained in the single audit report for the year ended June 30, 2006 dated September 12, 2006.

B. FINDINGS—FINANCIAL STATEMENT AUDIT

COMPLIANCE

There were *no* compliance findings in relation to the financial statement audit.

REPORTABLE CONDITIONS

There were *no* reportable conditions in relation to the financial statement audit.

C. FINDINGS—MAJOR FEDERAL AWARD PROGRAMS

COMPLIANCE

U.S. Department of Agriculture

Fiscal 2006 Finding No. 1: Child Nutrition Cluster

Pass-through entity: Michigan Department of Education

CFDA: 10.553 and 10.555

Award Numbers: 051970, 069170, 051950, 061950, 051960 and 061960

Award Years: September 30, 2005 and September 30, 2006

Condition: We noted 1) two families selected for verification moved out of the School District before verification could be completed and two new applications were not selected to replace them and 2) one application that did not have all income sources verified.

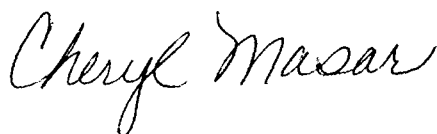
Recommendation: The School District should review its verification procedures and provide additional training for staff who perform verification.

Current Status: The recommendation was implemented during the year ended June 30, 2007. *No* similar finding was noted during the single audit for the year ended June 30, 2007.

REPORTABLE CONDITIONS

There were *no* reportable conditions reported in relation to major federal award programs.

Sincerely,



Cheryl Masar
Director of Finance

CORRECTIVE ACTION PLAN

September 25, 2007

Michigan Department of Education
Lansing, Michigan

Oakridge Public Schools respectfully submits the following Corrective Action Plan for the year ended June 30, 2007.

Name and address of independent public accounting firm:

Brickley DeLong, PLC
P.O. Box 999
Muskegon, Michigan 49443

Audit period: June 30, 2007

The findings from the Schedule of Findings and Responses for the year ended June 30, 2007 are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

B. FINDINGS—FINANCIAL STATEMENT AUDIT

COMPLIANCE

There were *no* compliance findings in relation to the financial statement audit.

SIGNIFICANT DEFICIENCIES

Fiscal 2007 Finding No. 1: Review and Approval Procedures for Year End Journal Entries, Bank Reconciliations and Certain Purchase Card Transactions

Recommendation: Internal control procedures should be created providing for the review and approval of year end journal entries, bank reconciliations and purchase card transactions.

Action Taken: The School District has developed a set of internal controls which includes the review of year end journal entries, bank reconciliations, and certain purchase card transaction by the superintendent or the assistant superintendent. Each set of documents now requires the signature of one of the above mentioned individuals as proof that they have reviewed and agree with the documents presented to them.

B. FINDINGS—FINANCIAL STATEMENT AUDIT—Continued

SIGNIFICANT DEFICIENCIES—Continued

Fiscal 2007 Finding No. 2: Purchase Order Procedures

Recommendation: The School District's established internal control procedures over procurement should be followed by all employees.

Action Taken: The School District understands that there are occasions when purchases must be made outside of the purchase order system and has therefore, established a procedure for these types of purchases. The employee involved must complete an expense form listing the criteria for the emergency purchase and have it approved by their administrator prior to any purchase.

Fiscal 2007 Finding No. 3: Segregation of Payroll Procedures

Recommendation: Segregation of duties within the payroll function should be strengthened.

Action Taken: The School District has established procedures for the Director of Finance to review the direct deposit reconciliation report and the payroll register. Payroll checks are prepared by the School District's payroll clerk and are now distributed by the School District's accounts payable clerk.

Fiscal 2007 Finding No. 4: Budgeting Procedures for the School Service Funds

Recommendation: All required budgets should be adopted prior to July 1 of each fiscal year.

Action Taken: The School District will prepare food service and athletic budgets prior to July 1 as required.

Fiscal 2007 Finding No. 5: Review and Approval Procedures for Title I and Child Nutrition Cluster Programs

Recommendation: Review and approval procedures should be implemented for the Title I cash management, eligibility and reporting functions and Child Nutrition Cluster eligibility and reporting functions.

Action Taken: The School District's Director of Finance will review monthly claim forms that will be submitted for federal reimbursement for meals claimed. The assistant superintendent will review monthly claims for reimbursement for Title I.

C. FINDINGS—MAJOR FEDERAL AWARD PROGRAMS AUDITS

COMPLIANCE

**Fiscal 2007 Finding No. 6: U.S. Department of Agriculture
Child Nutrition Cluster - Eligibility**

Recommendation: The School District should review its eligibility determination procedures and provide additional training for staff who determine eligibility.

Action Taken: School District personnel involved with the determination process for free and reduced price eligibility have received additional instruction regarding proper determination procedures. The School District's Director of Finance will review the determination process and the results.

**Fiscal 2007 Finding No. 7: U.S. Department of Education
Title I, Part A – Schoolwide Programs**

Recommendation: Schoolwide plans should include all required components.

Action Taken: The School District has established consistent schoolwide plans for all buildings that include all five required components. Administrators are provided a check list of required audit elements that are reviewed annually by the assistant superintendent for compliance.

**Fiscal 2007 Finding No. 8: U.S. Department of Education
Title I, Part A – Participation of Private School Children**

Recommendation: The School District should conduct their consultation with private school officials in a timely manner to get them involved in the planning phases.

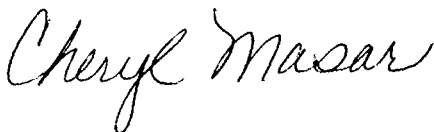
Action Taken: The School District will contact private school officials in April of each year to make certain all required consultation occurs timely in the planning of the next year's Title I grant. The School District did consult in April 2007 with private school officials in planning the 2007/2008 Title I grant.

SIGNIFICANT DEFICIENCIES

See Finding 5 in part B above.

If the Michigan Department of Education has questions regarding this plan, please call Cheryl Masar at (231) 788-7100.

Sincerely,



Cheryl Masar
Director of Finance